A BRIEF STUDY OF MUTUAL FUND OFFERED BY INDIAN FINANCIAL INSTITUTION

Project report submitted to Nagaland University in Fulfillment for the award of the degree of Bachelor of Commerce

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DECLARATION

I declare that the project report entitled "A BRIEF STUDY ON MUTUAL FUNDS OFFERED BY INDIAN FINANCIAL INSTITUTION" submitted by me for the award of the degree of **Bachelor of Commerce** of Nagaland University is my own work. The project report has not been submitted for any other degree of this University or any other university.

PENAM S

CERTIFICATE

I forward this project report to be placed before the examiners for evaluation.

NGIPLON RACHEL CHOHWANGLIM

Supervisor

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CHAPTER 1 - INTRODUCTION

1.1 INTRODUCTION

Different investment avenues are available to investors. Mutual funds also offer good investment opportunities to the investors. Like all investments, they also carry certain risks. The investors should compare the risks and expected yields after adjustment of tax on various instruments while taking investment decisions. The investors may seek advice from experts and consultants including agents and distributors of mutual funds schemes while making investment decisions.

With an objective to make the investors aware of functioning of mutual funds, an attempt has been made to provide information in question-answer format which may help the investors in taking investment decisions. Mutual fund is a mechanism for pooling the resources by issuing units to the investing and mutual funds in securities in accordance with objectives as disclosed in offer document.

Investments in securities are spread across a wide cross-section of industries and sectors and thus the risk is reduced. Diversification reduces the risk because all stocks may not move in the same direction in the same proportion at the same time. Mutual fund issues units to the investors in accordance with quantum of money invested by them. Investors of mutual funds are known as unit holders

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The profits or losses are shared by the investors in proportion to their investments. The mutual funds normally come out with a number of schemes with different investment objectives which are launched from time to time. A mutual fund is required to be registered with Securities and Exchange Board of India (SEBI) which regulates securities markets before it can collect funds from the public.

1.2 THE HISTORY OF MUTUAL FUNDS IN INDIA AND ROLE OF SEBI IN MUTUAL FUNDS INDUSTRY

Unit Trust of India was the first mutual fund set up in India in the year 1963. In early 1990s, Government allowed public sector banks and institutions to set up mutual funds

As far as mutual funds are concerned, SEBI formulates policies and regulates the mutual funds to protect the interest of the investors. SEBI notified regulations for the mutual funds in 1993. Thereafter, mutual funds sponsored by private sector entities were allowed to enter the capital market. The regulations were fully revised in 1996 and have been amended thereafter from time to time. SEBI has also issued guidelines to the mutual funds from time to time to protect the interests of investors.

All mutual funds whether promoted by public sector or private sector entities including those promoted by foreign entities are governed by the same set of Regulations. There is no distinction in regulatory requirements for these mutual funds and all are subject to monitoring and inspections by SEBI. The risks associated with the schemes launched by the mutual funds sponsored by these entities are of similar type. It may be mentioned here that Unit Trust of India (UTI) is not registered with SEBI as a mutual fund (as on January 15, 2002).

1.3 MUTUAL FUND SET UP

A mutual fund is set up in the form of a trust, which has sponsor, trustees, Asset Management Company (AMC) and custodian. The trust is established by a sponsor or more than one sponsor who is like promoter of a company. The trustees of the mutual fund hold its property for the benefit of the unit holders. Asset Management Company (AMC) approved by SEBI manages the funds by making investments in various types of securities. Custodian, who is registered with SEBI, holds the securities of various schemes of the fund in its custody. The trustees are vested with the general power of superintendence and direction over AMC. They monitor the performance and compliance of SEBI Regulations by the mutual fund.

SEBI Regulations require that at least two thirds of the directors of trustee company or board of trustees must be independent i.e. they should not be associated with the sponsors. Also, 50% of the directors of AMC must be independent. All mutual funds are required to be registered with SEBI before they launch any scheme. However, Unit Trust of India (UTI) is not registered with SEBI (as on January 15, 2002).

1.4 Review of literature

(Rashmi Sharma and N. K. Pandya 2013), has done an overview of Investing in Mutual Fund. In this paper, structure of mutual fund, comparison between investments in mutual fund and other investment options and calculation of NAV etc. have been considered. In this paper, the impacts of various demographic factors on investors' attitude towards mutual fund have been studied. For measuring various phenomena and analyzing the collected data effectively and efficiently for drawing sound conclusions, drawing pie charts has been used and for analyzing the various factors responsible for investment in mutual funds.

(Dr. Nishi Sharma 2012), has done research on Indian Investor's Perception towards Mutual Funds. This paper attempts to investigate the reasons responsible for lesser recognition of mutual fund as a prime investment option. It examines the investor's perception with reference to distinct features provided by mutual fund companies to attract them for investing in specific funds/schemes. The study uses principal component analysis as a tool for factor reduction. The paper explored three factors named as fund/scheme related attributes, monetary benefits and sponsor's related attributes (having respectively six, four and four variables) which may be offered to investors for securing their patronage. The results are expected to provide fruitful insight to mutual fund companies for tailoring their offers suitable to cater the needs and expectations of Indian investors.

1.5 Objective of the study

*Brief study on mutual fund In India

*Understanding the various types of Mutual Fund offered by Indian financial Institution

*Benefits and drawbacks in Mutual Fund investment

*Risks involves in mutual fund

*Myths and facts about mutual funds

1.6 RESEARCH METHOD

Secondary; The secondary source of data are collected from articles and net sources or website-

1.7 RESEARCH QUESTION

1. What are the various types of Mutual Funds offered by Indian financial institution?
2. What are the advantages and disadvantages of investing in mutual funds?

CHAPTER 2 – DATA ANALYSIS AND INTREPRETATION

2.1 FUNCTIONS OF MUTUAL FUND IN INDIA

Growth Funds

Growth funds primarily contain stocks that represent an ownership stake in a company. Small-cap stocks typically have high risk, since smaller companies have a higher failure rate. However, small companies also have the most growth potential, so stocks with relatively small total market values have the potential for high investment returns. These are often called small capitalization, or simply small-cap, stocks, referring to market capitalization, meaning the total value of company shares. Companies with a high market capitalization are called large capitalization, or large-cap, stocks.
Large-cap stocks are less volatile, but like small cap stocks, they expose investors to risk: if the company issuing the stock goes bankrupt, the stocks usually become worthless. People who buy individual stocks rely on the performance of a few stock funds, by contrast, contain thousands of stocks. Shareholders therefore don't rely entirely on the performance of any one company or type of stock.

Income Funds

You can buy individual bonds from governments and corporations that pay monthly, quarterly or annual interest payments. But bond terms often last for up to 30 years. This can create problems for investors if interest rates rise after they have invested in low-rate, long-term bonds. There is an inverse relationship between interest rates and bond prices. When interest rates rise, bond prices will drop, while bond prices will rise when interest rates go down.

However, if you buy a bond fund, the fund contains thousands of bonds with different maturity dates and varying yields. This means investors get a balanced return on their investment and are less likely to suffer the impact if any one bond issuer files bankruptcy or if rates rise after they begin investing.

Pooling Investments

Some stocks are worth less than $1. But stocks in major firms often may cost hundreds of dollars, while some bonds are issued in increments beginning at $100,000. Many investors cannot afford to buy expensive securities. Investing in a mutual fund, however, enables them to pool their money and have access to securities – some of which cost millions of dollars to purchase. Therefore, mutual funds provide average investors with greater access to all kinds of securities.

Management and Fees

Mutual funds are managed by investment professionals who buy and sell securities on the shareholders' behalf. Investors pay fees to own the shares, but shift the burden trading to an investment expert. Some mutual funds charge loads, which can be a flat rate or percentage of the investment, while many others are no-load mutual funds that only incur small ongoing expenses.

2.2 Types of mutual fund

Various types of Mutual Fund schemes exist to cater to different needs of different people. Largely there are three types mutual funds.

Equity or Growth Funds

1. These invest predominantly in equities i.e. shares of companies
2. The primary objective is wealth creation or capital appreciation.
3. They have the potential to generate higher return and are best for long term investments.

Examples would be

* "Large Cap" funds which invest predominantly in companies that run large Established business
*"Mid Cap funds" which invest in mid-sized companies. funds which invest in mid-sized companies.
*"Small Cap" funds that invest in small sized company
*Tax-Saving Funds

Income or Bond or Fixed Income Funds

a. These invest in Fixed Income Securities, like Government Securities or Bonds, Commercial Papers and Debentures, Bank Certificates of Deposits and Money

Market instruments like Treasury Bills, Commercial Paper, etc.

b. These are relatively safer investments and are suitable for Income Generation.

c. Examples would be Liquid Funds, Short Term, Floating Rate, Corporate Debt, Dynamic Bond, Gilt Funds, etc.

Hybrid Funds

1. These invest in both Equities and Fixed Income, thus offering the best of both, Growth Potential as well as Income Generation.
2. Examples would be Aggressive Balanced Funds, Conservative Balanced Funds, Pension Plans, Child Plans and Monthly Income Plans, etc.

2.3 Organizational Structure of mutual fund in India

The structure of Mutual Funds in India is a three-tier one. There are three distinct entities involved in the process – the sponsor (who creates a Mutual Fund), trustees and the asset management company (which oversees the fund management). The structure of Mutual Funds has come into existence due to SEBI (Securities and Exchange Board of India) Mutual Fund Regulations, 1996. Under these regulations, a Mutual Fund is created as a Public Trust.

The Fund Sponsor

The Fund Sponsor is the first layer in the three-tier structure of Mutual Funds in India. SEBI regulations say that a fund sponsor is any person or any entity that can set up a Mutual Fund to earn money by fund management. This fund management is done through an associate company which manages the investment of the fund. A sponsor can be seen as the promoter of the associate company. A sponsor has to approach SEBI to seek permission for a setting up a Mutual Fund. Once SEBI agrees to the inception, a Public Trust is formed under the Indian Trust Act, 1882 and is registered with SEBI. Trustees are appointed to manage the trust and an asset management company is created complying with the Companies Act, 1956.

Trust and Trustees

Trust and trustees form the second layer of the structure of Mutual Funds in India. A trust is created by the fund sponsor in favour of the trustees, through a document called a trust deed. The trust is managed by the trustees and they are answerable to investors. They can be seen as primary guardians of fund and assets. Trustees can be formed by two ways – a Trustee Company or a Board of Trustees. The trustees work to monitor the activities of the Mutual Fund and check its compliance with SEBI (Mutual Fund) regulations.

Asset Management Companies

Asset Management Companies are the third layer in the structure of Mutual Funds. The asset management company acts as the fund manager or as an investment manager for the trust. A small fee is paid to the AMC for managing the fund. The AMC is responsible for all the fund-related activities. It initiates various schemes and launches the same. The AMC is bound to manage funds and provide services to the investor. It solicits these services with other elements like brokers, auditors, bankers, registrars, lawyers, etc. and works with them. To ensure that there is no conflict between the AMCs, there are certain restrictions imposed on the business activities of the companies.

Custodian

A custodian is responsible for the safekeeping of the securities of the Mutual Fund. They manage the investment account of the Mutual Fund, ensure the delivery and transfer of the securities. They also collect and track the dividends & interests received on the Mutual Fund investment.

Registrar and Transfer Agents (RTAS)

These are the entities who provide services to Mutual Funds. RTAs are more like the operational arm of Mutual Funds.

a. SBI Mutual Fund

SBI Mutual Fund is one of the well-recognized company in India. The company is present in the Indian Mutual Fund industry for more than three decades now. It was launched in the year 1987. The AMC is a Joint Venture between SBI Bank (India's largest bank) and AMUNDI (France), one of the world's leading fund management companies. The user base of SBI Mutual Fund is more than 54 Lakhs. It offers schemes across various categories of funds to cater the diverse requirements of the individuals

b. ICICI Prudential Mutual Fund

Launched in the year 1993, ICICI Mutual Fund is one of the biggest Asset Management Companies in the country. The fund house offers a broad spectrum of solutions for both corporate and retail investments. The fund house has been maintaining a strong customer base by delivering satisfying product solutions and innovative schemes. The AMC has witnessed substantial growth in scale, along with an investor base of more than 1.9 million. There are various Mutual Fund schemes offered by the AMC like equity, debt, hybrid, ELSS, liquid, etc.

c. HDFC Mutual Fund

HDF C Mutual Fund is one of the most well-known AMCs in India. It launched its first scheme in 2000 and since then, the fund house has been showing a promising growth. Over the years, HDFC MF has won the trust of several investors and has placed itself amongst the top performers in India.

d. DSP Blackrock Mutual Fund

DSPBR is the largest listed AMC in the world. It offers a variety of Mutual Fund schemes to cater the diverse investment needs of the investors. It has a performance record of more than two decades in investment excellence. The AMC is backed by the 150+ year old DSP Group, which has been very influential in the growth and professionalization of Capital markets and the money management business in India.

e. Aditya Birla Sun Life Mutual Fund

Birla Sun Life Mutual Fund offers solutions that can help investors achieve their financial success. The fund house specializes in various investment objectives like tax savings, personal savings, wealth creation, etc. They offer a bundle of Mutual Fund schemes like equity, debt, hybrid, ELSS, Liquid Funds, etc. The AMC is always known for its consistent performance. It holds the total AUM of over Rs. 3,120 billion under its suite of mutual fund (excluding our domestic FoFs), portfolio management services, Offshore and real estate offerings and 7.3 million investor folios for the quarter ending September 30, 2021. Investors preferring to earn optimal returns can add the schemes of BSL Mutual Fund in their portfolio

f. Kotak Mutual Fund

Since its launch in the year 1998, Kotak Mutual Fund has grown into one of the well-known AMCs in India. The company offers a variety of Mutual Fund schemes to cater the diverse requirements of the investors. Some of the categories of the Mutual

Fund includes equity, debt, hybrid, liquid, ELSS and so on. Over 7.5 million investors are investing in Kotak MF. Investor can plan their investments and refer to these top-performing schemes by Kotak Mutual Fund

g. L&T Mutual Fund

L&T Mutual Fund follows a disciplined approach to investment and risk management. The company emphasizes to deliver a superior long-term risk-adjusted performance. The AMC was launched in the year 1997 and since it has gained an immense trust amongst its investors. Investors can choose schemes from a host of options like equity, debt, Hybrid Fund, etc.

h. Tata Mutual Fund

Tata Mutual Fund has been operating in India for more than two decades. Tata Mutual Fund is one of the well-reputed fund houses in India. The fund house has been able to win the trust of millions of customers with its consistent performances top-notch service. Tata Mutual Fund offers various categories such as equity, debt, hybrid, liquid & ELSS, investors can invest as per their investment needs & objectives.

i. Nippon India Mutual Fund

Since its launch in the year 1995, Nippon India has been one of the fastest growing Mutual Fund company in the country. The fund house has an impressive track record of consistent returns. Nippon India Mutual Fund offers a variety of schemes that can cater to the diverse needs of the investors. Investors can choose funds as per their investment objectives and invest according to their risk appetite.

j. Sundaram Mutual Fund

Sundaram Mutual Fund offers a diverse Range of innovative financial solutions for both retail and institutional investors. The fund house constantly aims to bring innovative schemes in order to satisfy the diverse needs of the customer. The AMC uses a strict risk-management policy and appropriate research techniques to support its investment decisions.

2.4 Understanding Mutual Fund Objectives

An important aspect of a mutual fund's investment objective is the correlation between risk and return. Let's take a look at the basic types of investment objectives and the ways they differ.

Safety of Capital

A mutual fund that has safety of capital as the investment objective tends to carry less risk and usually a lower return. The type of mutual fund that generally has this type of investment objective is a Money Market mutual fund.

The risk level depends on the type of investments within the portfolio. For example, a pure T-Bill mutual fund tends to be a less risky investment than a fund that primarily invests in short-term corporate notes.

Income

A mutual fund with income as the primary investment objective tends to carry more risk than a Money Market fund, but the return tends to be higher. Both domestic and international bond funds, dividend, and mortgage funds are typical funds that have income as their investment objective.

There are two types of Investment Management Styles used by fixed income investment managers: Spread Trader and Interest Rate Anticipator.

Balanced funds invest in cash, equities and fixed income securities and tend to have an investment objective that falls between Income and Growth. Balanced funds tend to carry more risk than the other funds mentioned earlier due to the equity component.

Growth

Mutual funds that have a growth investment objective provide investors with a good hedge against inflation and primarily invest in common stocks and sometimes preferred shares. They are commonly known as Equity funds.

A fund manager's investment style tends to differ from equity fund to equity fund. There are three common equity Investment Management Styles - Top Down, Bottom Up and Blend.

Growth funds tend to provide better returns but they also carry a higher risk than income funds.

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2.5 THE DIFFERENT TYPES OF MUTUAL FUNDS SCHEMES

Schemes according to Maturity Period

A mutual fund scheme can be classified into open-ended scheme or close-ended scheme depending on its maturity period.

1. Open-ended Fund/ Scheme

An open-ended fund or scheme is one that is available for subscription and repurchase on a continuous basis. These schemes do not have a fixed maturity period. Investors can conveniently buy and sell units at Net Asset Value (NAV) related prices which are declared on a daily basis. The key feature of open-end schemes is liquidity.

2. Close-ended Fund/ Scheme

A close-ended fund or scheme has a stipulated maturity period e.g. 5-7 years. The fund is open for subscription only during a specified period at the time of launch of the scheme. Investors can invest in the scheme at the time of the initial public issue and thereafter they can buy or sell the units of the scheme on the stock exchanges where the units are listed. In order to provide an exit route to the investors, some close-ended funds give an option of selling back the units to the mutual fund through periodic repurchase at NAV related prices. SEBI Regulations stipulate that at least one of the two exit routes is provided to the investor i.e. either repurchase facility or through listing on stock exchanges. These mutual funds schemes disclose NAV generally on weekly basis.

2.5 Schemes according to Investment Objective

A scheme can also be classified as growth scheme, income scheme, or balanced scheme considering its investment objective. Such schemes may be open-ended or close-ended schemes as described earlier. Such schemes may be classified mainly as follows:

1. Growth / Equity Oriented Scheme

The aim of growth funds is to provide capital appreciation over the medium to long-term. Such schemes normally invest a major part of their corpus in equities. Such funds have comparatively high risks. These schemes provide different options to the investors like dividend option, capital appreciation, etc. and the investors may choose an option depending on their preferences. The investors must indicate the option in the application form. The mutual funds also allow the investors to change the options at a later date. Growth schemes are good for investors having a long-term outlook seeking appreciation over a period of time.

2. Income / Debt Oriented Scheme The aim of income funds is to provide regular and steady income to investors. Such schemes generally invest in fixed income securities such as bonds, corporate debentures, Government securities and money market instruments. Such funds are less risky compared to equity schemes. These funds are not affected because of fluctuations in equity markets. However, opportunities of capital appreciation are also limited in such funds. The NAVs of such funds are affected because of change in interest rates in the country. If the interest rates fall, NAVs of such funds are likely to increase in the short run and vice versa. However, long term investors may not bother about these fluctuations.

3. Balanced Fund

The aim of balanced funds is to provide both growth and regular income as such schemes invest both in equities and fixed income securities in the proportion indicated in their offer documents. These are appropriate for investors looking for moderate growth. They generally invest 40-60% in equity and debt instruments. These funds are also affected because of fluctuations in share prices in the stock markets. However, NAVs of such funds are likely to be less volatile compared to pure equity funds.

4. Money Market or Liquid Fund

These funds are also income funds and their aim is to provide easy liquidity, preservation of capital and moderate income. These schemes invest exclusively in safer short-term instruments such as treasury bills, certificates of deposit, commercial paper and inter-bank call money, government securities, etc. Returns on these schemes fluctuate much less compared to other funds. These funds are appropriate for corporate and individual investors as a means to park their surplus funds for short periods.

5. Gilt Fund

These funds invest exclusively in government securities. Government securities have no default risk. NAVs of these schemes also fluctuate due to change in interest rates and other economic factors as is the case with income or debt oriented schemes.

6. Index Funds

Index Funds replicate the portfolio of a particular index such as the BSE Sensitive index, S&P NSE 50 index (Nifty), etc these schemes invest in the securities in the same weight comprising of an index. NAVs of such schemes would rise or fall in accordance with the rise or fall in the index, though not exactly by the same percentage due to some factors known as "tracking error" in technical terms. Necessary disclosures in this regard are made in the offer document of the mutual fund scheme.

2.6 BENEFITS OF MUTUAL FUND

Mutual fund benefits to Know about before Investing

While you may be well aware of some of the common mutual fund benefits, there are a few lesser-known advantages that you mightn't know about. It is pivotal to know all the benefits offered by mutual funds prior to investing in order to derive the maximum benefit from your investment. Here is the list of all the benefits that mutual funds offer to the investors:

Smart investment option

When you invest in an investment tool which invests in one specific sector there is a risk of losing money in one go. If the industry where you have invested fails, then you might lose all your money. However, this is not the case with mutual fund investments. When you invest in a mutual fund the associated risk is relatively low as most of the mutual fund schemes spread the investment in multiple assets and sectors for reducing the risk. Hence, if any one of the sectors faces a loss then the gains from the other sectors will compensate the amount that you have lost. This risk mitigation benefit makes mutual fund investments a smart investment option compared to other investments.

Low-cost investment

This is a very interesting feature of mutual funds. Since mutual funds get money from multiple investors, the asset management services provided by the company come at a comparatively low cost or charge since the amount is equally divided between all the investors.

Well-regulated funds

Mutual fund investments are regulated by the Securities and Exchange Board of India (SEBI). SEBI has laid down certain rules and regulations which all the mutual fund providers in the country have to follow. All the investments made in the funds have to be according to the SEBI guidelines. This ensures that the investment works in favour of both investors and providers without any unfair treatment. Being monitored and supervised by an authorized body like SEBI, the investments under mutual funds are safe and well-regulated.

Professionally managed

Investing in mutual funds is easy. These funds are professionally managed by expert and experienced fund managers who have extensive experience in managing funds. Hence, even beginners who don't have any knowledge about the market can invest in such funds with the help of expert managers. Since experienced professionals manage all activities related to these funds you can be assured that your money will be invested in safe places. Not only that, an entire team of experts will take care of your investment, design your portfolio, strategies on your behalf, and will guide you through every step of investment.

Multiple investment options

Investors get a variety of investment options while investing in a mutual fund. Not only can they choose funds as per their investment objective but they can also pick funds based on the amount of returns they want to derive. For instance, if you want to receive returns in a short period of time, you should ideally invest in short-term funds but when you have some future expenses to meet, investing in long-term funds will be ideal to serve your purpose.

Lump sum investment or in installments

Mutual fund investments offer investment options for people who don't have a large amount of money to invest at a go. Suppose you are very young or just don't have sufficient money to invest in mutual funds in one shot, in both the cases you can still invest in mutual funds by opting for the SIP investment option. A SIP is a Systematic Investment Plan which allows the investors to invest in mutual funds in installments (EMIs). When you invest in a SIP there will not be much pressure on your finances. Contrarily, if you have a large amount of money you can invest a lump sum amount.

Low investment requirement

Since mutual funds offer SIP investment facility, the investors can start investing in these funds with as little as Rs.500 every month. When you opt for the Systematic Investment Plan (SIP) under a scheme you don't have to invest thousands of rupees in the fund in one go. Instead, you can start your investment with a minimum of Rs.500 by opting for an SIP. Later, if you have a lump sum amount and feel the need to increase the invested amount you can invest more money in your fund.

Diversification of risk

Though mutual fund investments are subject to market risks, the advantage is that the associated risk can be diversified. It is completely up to the risk appetite of the investor to decide how much risk he/she is ready to take. While a high-risk fund tends to offer higher returns, the chances of loss in these are equally high. So, if you are not willing to take a huge risk you have the option to choose low or medium-risk funds. A medium-risk fund tends to balance the risk and give out a medium return and a low-risk fund has lower risks and gives the lowest returns. Thus, based on your risk-taking ability you can diversify the risk by choosing a suitable fund matching your requirement.

Growth-oriented investment

Since most of the mutual funds invest in the growth-oriented equity market, the investors get a chance to benefit from the growing Indian economy. Though investments in equity and equity-related securities of companies are prone to certain risks, the chances of generating returns from such funds are considerably higher. Moreover, such a fund invests in the stocks and bonds of high-grade companies the investors can do their individual research and then invest in the desired stocks on their own without any involvement of the intermediary.

Flexibility of switching funds

Mutual funds come with an option of fund switching. This means the investors can switch between schemes or between funds to avail better terms and/or better returns from their investment. However, in most of the cases, the fund switching option is available only between schemes of the same fund and not between the funds offered by a particular company.

Easy to track funds

It is not an easy task to regularly review the mutual fund investment portfolios as the fund units are purchased and liquidated by the subscribers on a regular basis. This is why the mutual fund companies provide clear statements of all investments thus making it easy for investors to keep a track of their investment. You can ask for the statement from the executives or can download it from the official website of the fund house that you have invested in.

2.7 Disadvantages of Mutual Funds

Some of the disadvantages of mutual funds, in general, as listed below:

Fluctuating returns:

Mutual funds do not offer fixed guaranteed returns in that you should always be prepared for any eventuality including depreciation in the value of your mutual fund. In other words, mutual funds entail a wide range of price fluctuations. Professional management of a fund by a team of experts does not insulate you from bad performance of your fund.

No Control:

All types of mutual funds are managed by fund managers. In many cases, the fund manager may be supported by a team of analysts. Consequently, as an investor, you do not have any control over your investment. All major decisions concerning your fund are taken by your fund manager. However, you can examine some important parameters such as disclosure norms, corpus and overall investment strategy followed by an Asset Management Company (AMC).

Diversification:

Diversification is often cited as one of the main advantages of a mutual fund. However, there is always the risk of over diversification, which may increase the operating cost of a fund, demands greater due diligence and dilutes the relative advantages of diversification.

Fund Evaluation:

Many investors may find it difficult to extensively research and evaluate the value of different funds. A mutual fund's net asset value (NAV) provides investors the value of a fund's portfolio. However, investors have to study various parameters such as Sharpe ratio and standard deviation among others to ascertain how one fund has fared compared to another which can be complicated to some extent

.Past performance:

Ratings and advertisements issued by companies are only an indicator of the past performance of a fund. It is important to note that robust past performance of a fund is not a guarantee of a similar performance in the future. As an investor, you should analyze the investment philosophy, transparency, ethics, compliance and overall performance of a fund house across different phases in the market over a period of time. Ratings can be taken as a reference point.

Costs: The value of a mutual fund may fluctuate depending on the changing market conditions. Furthermore, there are fees and expenses involved towards professional management of a mutual fund which is not the case for buying stocks or securities directly in the market. There is an entry load which has to be borne by an investor when buying a mutual fund. Furthermore, some companies charge an exit cost as well when an investor chooses to exit from a mutual fund.

Fund managers: According to experts, as an investor, you would do well not to be carried away by the so-called ‘star fund managers’. Even a highly skilled manager can make a positive difference in the short-term but cannot dramatically change the performance of a fund in the long-term. Also, there is always the likelihood of a star fund manager joining another company. It is, therefore, more prudent to examine the processes which are followed by a fund house rather than the star appeal of just one individual.

Chapter 3 － Conclusion

3.1 Findings

1. Young investors are more who invest in mutual funds as they are ready to take some sort of risk for high returns whereas people above 60 years are not ready to take risk.
2. Salaried persons, the professionals, and the businessmen are the people who are dealing with the mutual funds to some extent and obviously there are many reasons for investment and tax is the main reason.
3. Investors do not prefer long term investment as they want the money immediately when they require.
4. Major numbers of investors agree that mutual funds gives high returns
5. Most of the investors agree that past performance of mutual funds is important criteria for selecting mutual fund.
6. Investors of major portion say that diversified investment increases average rate of return.
7. Investors perception is dependent on the demographic profile and prefer high return at low cost level of risk, safety liquidity, investors are willing to take moderate and low level of risk.
8. The study shows that majority of the respondents prefer growth schemes and incomes schemes and also competition among the private and public players has increased the choice of mutual funds schemes. According to the performance of schemes of mutual funds, the future of mutual funds has a lot of positive things.

3.2 Conclusion

The Reasons Why we Should Invest in Mutual Funds Today, is because it involve less risk of loss and high chance of return. Also, a good investment advisor can help maximize returns and minimize risks. According to my understanding the best option for us as an investor to achieve personal financial goals is mutual funds. The mutual fund is a powerful option that has the potential to generate long term wealth for investor. Mutual funds have schemes for all types of life goals, right from creating a pool of wealth to retirement. the schemes for risk averse and conservative investors.

The option has benefits of diversification low cost, it has a flexibility to invest in smaller amounts and professional fund management. Mutual fund is definitely a very good investment for an investors who are looking for a diversified investment.

Numerous benefits in mutual funds investment encourage the people to invest in mutual funds. Mutual funds also offer the options of having a regular income flow throughout the tenure in the form of dividend payout facility.

Therefore, mutual fund are for everyone who wishes to who wishes to start their investment journey with the help of professional fund management. They are also suitable for investors who lack time to manage their investment. Moreover, the returns from mutual funds in the long term have been promising for its investors.

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